

30

AN AMENDMENT TO H.R.

1106

[DISCUSSION DRAFT]

111TH CONGRESS  
1ST SESSION~~H.R.~~OFFERED  
BY  
MRS. CAPITO

To authorize the Secretary of Housing and Urban Development to insure certain mortgages made to enable troubled homeowners retain ownership of their homes.

OF  
WV

IN THE HOUSE OF REPRESENTATIVES

M. \_\_\_\_\_ introduced the following bill; which was referred to the Committee on \_\_\_\_\_

~~A BILL~~

To authorize the Secretary of Housing and Urban Development to insure certain mortgages made to enable troubled homeowners retain ownership of their homes.

1 *Be it enacted by the Senate and House of Representa-*

2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "\_\_\_\_\_ Act

5 of 2009".

1 **SEC. 2. INSURANCE OF HOMEOWNERSHIP RETENTION**  
2 **MORTGAGES.**

3 (a) **AUTHORITY TO INSURE.**—Title II of the National  
4 Housing Act (12 U.S.C. 1707 et seq.) is amended—

5 (1) by redesignating section 257 (12 U.S.C.  
6 1715z-24), as added by section 2124 of Public Law  
7 110-289, as section 259; and

8 (2) by inserting before such section 259 (as so  
9 redesignated) the following new section:

10 **"SEC. 258. INSURANCE OF HOMEOWNERSHIP RETENTION**  
11 **MORTGAGES.**

12 "(a) **AUTHORITY.**—The Secretary shall, subject only  
13 to the absence of qualified requests for insurance under  
14 this section and to the limitations under sections 257(m)  
15 and 531(a), make commitments to insure and insure any  
16 mortgage covering a 1- to 4-family residence that is made  
17 for the purpose of paying or prepaying outstanding obliga-  
18 tions under an existing mortgage or mortgages on the resi-  
19 dence if the mortgage being insured under this section  
20 meets the requirements of this section, as established by  
21 the Secretary, [and of section 203?], except as modified  
22 by this section. The Secretary shall establish such mort-  
23 gage insurance products, and requirements and standards,  
24 in accordance with this section as the Secretary considers  
25 appropriate to carry out this section and shall prescribe  
26 such regulations and provide such guidance as may be nec-

1   essary or appropriate to implement such products, require-  
2   ments, and standards.

3       “(b) REQUIREMENTS OF INSURED MORTGAGE.—To  
4   be eligible for insurance under this section, a mortgage  
5   shall comply with all of the following requirements:  
6   [NOTE: Should any of the requirements of the HOPE  
7   for Homeowners program apply to this program? See sec-  
8   tion 257 of the National Housing Act.]

9       [“(1) PRIMARY RESIDENCE.—The mortgagor  
10   under the mortgage to be insured under this section  
11   shall provide documentation satisfactory in the de-  
12   termination of the Secretary to prove that the resi-  
13   dence covered by the mortgage to be insured under  
14   this section is occupied by the mortgagor as the pri-  
15   mary residence of the mortgagor, and that such resi-  
16   dence is the only residence in which the mortgagor  
17   has any present ownership interest.]

18       “(2) TROUBLED HOMEOWNER.—The mortgagor  
19   under the mortgage to be insured under this section  
20   shall be the mortgagor under the existing mortgage  
21   to be refinanced by the insured mortgage and  
22   shall—

23       “(A) be in default on the mortgagor’s obli-  
24   gations under the existing mortgage ;

1           “(B) be in danger of defaulting, as deter-  
2           mined in accordance with standards established  
3           by the Secretary, on the mortgagor’s obligations  
4           under the existing mortgage; or

5           “(C) have a remaining principal obligation  
6           amount under such existing mortgage that ex-  
7           ceeds, at the time of the commitment for mort-  
8           gage insurance under this section, the appraised  
9           value of the property that is subject to such ex-  
10          isting mortgage.

11          “(3) PROHIBITION ON REFINANCING LIAR  
12          LOANS.—[The Secretary may not insure a mortgage  
13          under this section if the mortgagor under such mort-  
14          gage has/ The mortgagor under the mortgage to be  
15          insured under this section shall provide certification  
16          to the Secretary that the mortgagor has not.] know-  
17          ingly, or willfully and with actual knowledge, fur-  
18          nished any material information regarding the in-  
19          come or financial worth of the mortgagor that is  
20          known to be false for the purpose of obtaining the  
21          existing mortgage that is to be refinanced by the  
22          mortgage to be insured under this section.

23          “(4) PROHIBITION ON REFINANCING ZERO-  
24          DOWN LOANS AND LOANS WITH EQUITY RE-

1       MOVED.—The Secretary may not insure a mortgage  
2       under this section if—

3               “(A) under the existing mortgage to be re-  
4               financed, the mortgagor did not make any pay-  
5               ment on account of the property [(or any pay-  
6               ment exceeding such nominal amount as the  
7               Secretary may establish?)], in cash or its equiv-  
8               alent, in connection with acquisition of the  
9               property; or

10              “(B) during the term of the existing mort-  
11              gage to be refinanced, the mortgagor withdrew  
12              all, [or substantially all (in accordance with  
13              such standards and guidelines as the Secretary  
14              shall establish)] of any equity of the mortgagor  
15              in the property subject to such existing mort-  
16              gage.

17              “(5) TERMS.—The mortgage to be insured  
18              under this section shall have such terms and condi-  
19              tions as the Secretary shall provide, except that such  
20              mortgage shall—

21                      “(A) have a term to maturity not exceed-  
22                      ing 40 years; and

23                      “(B) bear interest at an annual rate that  
24                      is fixed for the entire term of the mortgage.

1           ["(6) REQUIRED WAIVER OF PREPAYMENT  
2           PENALTIES AND FEES.—All penalties for prepay-  
3           ment or refinancing of the existing mortgage, and all  
4           fees and penalties related to default or delinquency  
5           on the existing mortgage, shall be waived or for-  
6           given.]

7           “(7) SHARED APPRECIATION.—The Secretary  
8           shall provide that, with respect to each mortgage in-  
9           sured under this section, upon any sale or disposi-  
10          tion of the property subject to such mortgage occur-  
11          ring during the 5-year period beginning on the date  
12          of the insurance of the mortgage, the Secretary and  
13          the mortgagee shall be entitled to a percentage of  
14          any appreciation in value of such property that has  
15          occurred since the date that such mortgage was in-  
16          sured under this section, [which percentage shall de-  
17          crease over time?], and the mortgagor shall be enti-  
18          tled to the remainder of any such appreciation.

19          “(8) MAXIMUM LOAN AMOUNT.—The principal  
20          obligation amount of the mortgage to be insured  
21          under this section shall not exceed [—?].

22          “(9) TERM; INTEREST RATE.—The refi-  
23          nanced eligible mortgage to be insured shall—

24                 “(A) bear interest at a single rate that is  
25                 fixed for the entire term of the mortgage; and

1           “(B) have a maturity of not less than 30  
2           years from the date of the beginning of amorti-  
3           zation of such refinanced eligible mortgage.

4           “(c) PREMIUMS.—[NOTE: Need authority for pre-  
5           miums in amounts different from that authorised under  
6           section 203(c)?]

7           “(d) PROGRAM TERM.—The Secretary may not enter  
8           into any new commitment to insure any refinanced eligible  
9           mortgage, or newly insure any refinanced eligible mort-  
10          gage pursuant to this section before [—?] or after  
11          [—?].”.

12          (b) USE OF AGGREGATE INSURANCE AUTHORITY,  
13          FUNDS, AND GNMA COMMITMENT AUTHORITY UNDER  
14          HOPE FOR HOMEOWNERS PROGRAM.—Section 257 of  
15          the National Housing Act (12 U.S.C. 1715z-24), as added  
16          by section 1402(a) of Public Law 110-289), is amended—

17               (1) in subsection (l)(1), by inserting before the  
18               period at the end the following: “and section 258”;

19               (2) in subsection (m), by inserting “or section  
20               258” after “under this section”; and

21               (3) in subsection (q)—

22                       (A) in paragraph (1), by inserting “or sec-  
23                       tion 258” after “under this section”; and

- 1 (B) in first sentence of paragraph (2), by
- 2 inserting "or section 258" before the second
- 3 comma.